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Western managers tackle regional issues

"Industry restructuring will eventually eliminate 1-mill reciprocal wheeling deals."

—Jerry Wegner

Editor's note: Issues affecting Western was the subject of a panel discussion at the Mid-West Electric Consumers Association annual meeting, Dec. 8 in Denver. In "Continuing Commitments—The WAPA Story" Administrator ***Mike Hacskaylo*** *and five other Western senior managers addressed the issues facing Western today and what we're doing in response. This is the third and last article in a series that presents a summary of their comments to the nearly 400 people representing preference power customers across the Upper Great Plains on these issues and their impact on the Pick-Sloan power program.*

Project pumping

Jerry Wegner, UGP regional manager: "The Pick-Sloan Missouri Basin Program has about 30 irrigation customers. Some receive project power at 2.5 mills per kilowatthour. Some get it at the firm power rate, which is 14.54 mills per kWh. Some take delivery from the Federal system. Others get their power by using one or more intervening systems.

"The Eastern Division currently allows a 1-mill credit for wheeling off the Federal system. The Western Division does not allow this same credit. Pick-Sloan also has a few 1-mill reciprocal wheeling agreements with other transmission providers. A few irrigators benefit from those arrangements.

"Industry restructuring will eventually eliminate 1-mill reciprocal wheeling deals. Retail wheeling in Montana and Wyoming is causing cooperatives to unbundle and charge relatively high wheeling rates.

"Questions to be answered include: Should the 2.5-mill rate be adjusted by Reclamation to recover the true costs for operations, maintenance and rehabilitation? Is Western or Reclamation responsible for wheeling beyond the end of the Federal system? Do different responsibilities exist for irrigators receiving project power than for those paying the firm power rate?

"The 2.5-mill rate for pumping power was put into place in the 1940s to cover OM&R costs. It has not been adjusted as OM&R costs increased. The Eastern Division still grants the 1-mill assistance for off-system wheeling. The Western Division eliminated the 1-mill wheeling assistance in the Post '89 Marketing Plan.

"The issues are being worked very hard by Reclamation and Western, as well as consultants to the irrigators. Western and Recla-mation are looking for win-win solutions to avoid impacts to the firm power rate. Because the issues are becoming very politicized, a solution is needed before the next irrigation season."

Hacskaylo: "We do want to resolve irrigation issues and are making every effort to do so."

NDA Act power

Tim Meeks, assistant regional manager for Power Marketing Liaison: "The National Defense Authorization Act reserved power allocations from closed or closing military bases in California for preference use for 10 years (from 1993) to promote economic development. A total of 51.2 MW of NDA power is available. So far, 40.3 MW had been allocated."

Hacskaylo: "A number of military bases get Pick-Sloan power. More could close. The NDA Act could be a

> *"The agreement met our goal of enhancing competition."*
>
> *—Dave Sabo*

model to spread the economic benefits to mitigate proposed base closings."

PNM 211 filing

Dave Sabo, CRSP Program Manager: "In New Mexico, transmission market power was exercised by one utility. Our New Mexico transmission-dependent preference customers faced delivery point and capacity limitations and pancaking of charges. The transmission provider forced separate contracts for delivery and pancaked charges. Our role has been to try to keep the playing field level.

"The customers initially agreed to work together to overcome this transmission market power. On their behalf, we initiated negotiations with the provider. These were unsuccessful. We next filed a 'good faith request' with FERC. This too, was unsuccessful. In February 1996, we and the customers requested intervenor status in the provider's Section 206 rate case. We filed at FERC on behalf of the customers and led the negotiations on rate and delivery point issues.

"The final settlement was ratified by FERC in April 1998. The settlement resulted in multiple delivery points, $4.5 million in cost reductions and $8.5 million in transmission rate cuts—going from $3 per kilowatt-month to $2.07 per kWmonth. The agreement met our goal of enhancing competition."

Hacskaylo: "The Section 211 filing is an example of a cooperative way to resolve transmission and rate issues."

Power supply for Federal loads

Sabo: "Western currently provides power to a number of Federal loads in New Mexico. Our authority to do this comes from the Economy Act that calls for agencies with expertise to provide it and to contract for goods and services with other agencies. Under this act, we received a request for service from the DOE Albuquerque Office. In response, we entered into negotiations on rates, terms and conditions.

"While at the same time we are being careful to ensure the SLCA/IP firm power customers suffer no adverse impacts, there is no cross-subsidy between customer groups and our rates remain cost-based. We still have a few issues to resolve before providing service. These include transmission, scheduling, accounting and billing procedures."

Hacskaylo: "Our work with other Federal agencies is done to recover our costs so others don't pay for these services."

Return to Closed Circuit Index